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Government
Publications



SP-10

SP-10

ISSN 1710-9477

Legislative Assembly of Ontario

Second Session, 41st Parliament

Assemblée législative de l'Ontario

Deuxième session, 41^e législature

Official Report of Debates (Hansard)

Tuesday 21 February 2017

Journal des débats (Hansard)

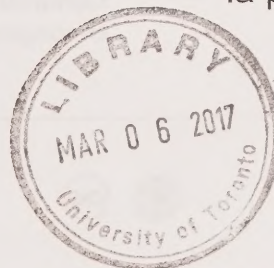
Mardi 21 février 2017

Standing Committee on Social Policy

Putting Consumers First Act
(Consumer Protection Statute
Law Amendment), 2017

Comité permanent de la politique sociale

Loi de 2017 donnant la priorité
aux consommateurs (modifiant
des lois en ce qui concerne
la protection du consommateur)



Chair: Peter Tabuns
Clerk: Katch Koch

Président : Peter Tabuns
Greffier : Katch Koch

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CONTENTS

Tuesday 21 February 2017

| | |
|--|--------|
| Subcommittee report | SP-193 |
| Putting Consumers First Act (Consumer Protection Statute Law Amendment), 2017, Bill 59, Mrs. Lalonde / Loi de 2017 donnant la priorité aux consommateurs (modifiant des lois en ce qui concerne la protection du consommateur), projet de loi 59, Mme Lalonde | SP-193 |
| Canadian Consumer Finance Association..... | SP-193 |
| Mr. Tony Irwin | |
| Ms. Melissa Soper | |
| Quickcheck Canada..... | SP-196 |
| Mr. Roy Toker | |
| Ms. Elisa Damiano | |
| Ontario Association of Certified Home Inspectors | SP-199 |
| Mr. Len Inkster | |
| Mr. Patrick Auriol | |
| Ontario Real Estate Association..... | SP-202 |
| Mr. Matthew Thornton | |
| Mr. Adam Yahn | |
| The Lung Association | SP-205 |
| Mr. Tristan McIntosh | |
| Mr. Chris Yaccato | |
| CARP | SP-208 |
| Ms. Wanda Morris | |

CONTENTS

Table of Contents

| | |
|--------------------------|----|
| 1. Introduction | 1 |
| 2. Theoretical Framework | 2 |
| 3. Methodology | 3 |
| 4. Results | 4 |
| 5. Discussion | 5 |
| 6. Conclusion | 6 |
| 7. References | 7 |
| 8. Appendix | 8 |
| 9. Glossary | 9 |
| 10. Index | 10 |

| | |
|---------------------------|----|
| 11. Introduction | 11 |
| 12. Theoretical Framework | 12 |
| 13. Methodology | 13 |
| 14. Results | 14 |
| 15. Discussion | 15 |
| 16. Conclusion | 16 |
| 17. References | 17 |
| 18. Appendix | 18 |
| 19. Glossary | 19 |
| 20. Index | 20 |

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
SOCIAL POLICYCOMITÉ PERMANENT DE
LA POLITIQUE SOCIALE

Tuesday 21 February 2017

Mardi 21 février 2017

The committee met at 1600 in room 151.

The Chair (Mr. Peter Tabuns): Good afternoon, committee members and members of the public. I'm calling this meeting to order to consider Bill 59, An Act to enact a new Act with respect to home inspections and to amend various Acts with respect to financial services and consumer protection.

SUBCOMMITTEE REPORT

The Chair (Mr. Peter Tabuns): We'll have a report from the subcommittee. Ms. Vernile?

Ms. Daiene Vernile: This is a report of the subcommittee.

Your subcommittee on committee business met on Wednesday, December 7, 2016, to consider the method of proceeding on Bill 59, An Act to enact a new Act with respect to home inspections and to amend various Acts with respect to financial services and consumer protection, and recommends the following:

(1) That the committee meet in Toronto on Tuesday, February 21, Monday, February 27, and Tuesday, February 28, 2017, for the purpose of holding public hearings.

(2) That the Clerk of the Committee post information regarding public hearings on Bill 59 on the Ontario parliamentary channel, the Legislative Assembly website, Canada NewsWire, the Toronto Star, the Globe and L'Express.

(3) That the deadline for requests to appear be 12 noon on Friday, February 10, 2017.

(4) That, should the hearings be oversubscribed, the Clerk of the Committee provide a list of all interested presenters to the subcommittee following the deadline for requests.

(5) That each caucus provide their selections of witnesses based on the list of interested presenters received from the Clerk of the Committee.

(6) That the witnesses be offered five minutes for presentation and 15 minutes, or five minutes per caucus, for questioning by committee members.

(7) That the deadline for written submissions on Bill 59 be 6 p.m. on Tuesday, February 28, 2017.

(8) That the research officer provide the committee with the following:

—background material on home inspections, payday loans and door-to-door sales from other Canadian jurisdictions;

—summary of testimonies by Friday, March 3, 2017.

(9) That amendments to Bill 59 be filed with the Clerk of the Committee by 5 p.m. on Friday, March 3, 2017.

(10) That the committee meet for clause-by-clause consideration of Bill 59 on Tuesday, March 7, and Monday, March 20, 2017.

(11) That the Clerk of the Committee, in consultation with the Chair, be authorized to make any preliminary arrangements to facilitate the committee's proceedings prior to the adoption of the report of the subcommittee.

The Chair (Mr. Peter Tabuns): Do we have any discussion of the subcommittee report?

Shall the subcommittee report be adopted? All those in favour? Opposed? It is carried.

PUTTING CONSUMERS FIRST ACT
(CONSUMER PROTECTION STATUTE
LAW AMENDMENT), 2017LOI DE 2017 DONNANT LA PRIORITÉ
AUX CONSOMMATEURS (MODIFIANT
DES LOIS EN CE QUI CONCERNE
LA PROTECTION DU CONSOMMATEUR)

Consideration of the following bill:

Bill 59, An Act to enact a new Act with respect to home inspections and to amend various Acts with respect to financial services and consumer protection / Projet de loi 59, Loi édictant une nouvelle loi concernant les inspections immobilières et modifiant diverses lois concernant les services financiers et la protection du consommateur.

CANADIAN CONSUMER FINANCE
ASSOCIATION

The Chair (Mr. Peter Tabuns): Our first presenter, then, is the Canadian Consumer Finance Association, Mr. Tony Irwin, president. Mr. Irwin? If you would have a seat. You have five minutes to present and then we'll go five minutes to each caucus for asking questions. If you'd identify yourself for Hansard so you'll be properly recorded and then proceed.

Mr. Tony Irwin: Thank you, Mr. Chairman. My name is Tony Irwin. I'm president of the Canadian Consumer Finance Association.

Mr. Vice-Chairman, members of the committee, thank you very much for the opportunity to speak with you today with respect to Bill 59. I'm joined by my colleague Melissa Soper, who is a member of our board of directors, and I'll be splitting my time with her today.

The Canadian Consumer Finance Association, CCFA, represents 11 member companies who together hold 505 of the 819 or 61% of payday loan licences issued in Ontario to offer payday loans.

Our industry exists because many Canadians need small, short-term credit that is not provided by banks or credit unions. This industry grew in response to consumer demand, not the other way around. In 2015, our members granted approximately four million loans in Ontario. Clearly, this is a significant and important source of credit.

I have here with me today a box of petitions signed by borrowers who do not want to lose or have government restrict their access to payday loans. This box is just one of 20 boxes containing petitions signed by over 50,000 people. I'll repeat that: 50,000 teachers, firefighters, nurses, police officers, government workers and other Ontarians who've taken out a payday loan in the last three months. This product is important to them.

Payday loans are costly to provide. Banks and credit unions are simply not set up to lend to the vast majority of payday loan borrowers. In the past, a few credit unions have announced an alternative credit product to a payday loan, but in reality it has never been offered on a scalable basis.

In Alberta, for example, where over a million loans are made each year, credit unions have only managed to make a few hundred payday loans. We have found that most payday loan customers who apply for these alternative loans offered by credit unions are denied. The reason for this is that banks and credit unions will only lend to people with a credit score above 600. Millions of Canadians have scores below that, including the majority of payday loan borrowers. I've provided a graph to each of you today which illustrates the range of payday loan borrowers for which access to credit from payday lenders is essential.

It's important to ensure that Ontarians have access to licensed, regulated, safe credit. Legislation and regulations must allow for a viable industry.

On January 1 of this year, Ontario reduced maximum rates lenders may charge to \$18 per \$100, with the intention to further reducing the rate to \$15 per \$100 on January 1, 2018.

The province of Alberta, without any meaningful consultation, introduced changes that fully came into effect on November 30, 2016, and which included a reduction to a \$15 maximum rate. Those changes are so recent, we cannot determine the extent of impact on borrowers in Alberta, but based on conversations with many lenders this much is clear: By and large, the payday loan product

has been withdrawn from the licensed lending market in Alberta and has ceased to exist. Those borrowers on the lower credit rungs, with lower credit scores, are being denied access to credit entirely. The only option for borrowers on the higher credit rungs who want a payday loan is to borrow higher amounts than they want for longer terms than they want. This is an example of bad policy that will hurt borrowers.

Both the recent and proposed changes in rate are challenging the viability of licensed lending in Ontario, which in turn will affect borrowers' access to credit. The government needs to stop any further rate reductions and reconsider the maximum rate that is now in effect.

I'll now turn my time over to Ms. Soper.

Ms. Melissa Soper: Thank you, Tony.

I'm the head of public affairs for Cash Money. I've been in this industry for 22 years, and I've engaged on short-term lending regulations in multiple countries. I could speak on a number of areas, but today I'll focus on providing some lender-specific details on some topics which Tony just covered.

In Alberta, we operate 28 stores. In December 2016, the first month in which the new regulations became fully effective, the number of payday loans that we granted in our stores dropped 94% from the same month in the prior year; and in the months of December and January combined, we lost just about \$1.7 million. Clearly, we cannot continue to provide credit at this rate; nor can any other licensed lender.

The Alberta government initially stated that credit unions would fill the gap. The credit unions have admitted to making just a few hundred loans as compared to the 1.1 million loans made in Alberta each year.

Borrowers will be forced to make other choices to access their money. Their need for credit doesn't just go away. As evidence shows in other restrictive jurisdictions, they will either turn to illegal online lending or experience costly overdraft fees, default fees or reconnection fees.

The Chair (Mr. Peter Tabuns): Ms. Soper, I'm sorry to say, but you've used up your time.

Ms. Melissa Soper: Okay.

The Chair (Mr. Peter Tabuns): We have to go to the Progressive Conservative Party. Mr. McDonell?

Mr. Jim McDonell: Thank you for coming out.

We're seeing a lot of hoopla around this part of the bill. I know that, unfortunately, your industry is kind of a punching bag. We haven't seen anything done by this government as an alternative. You're talking about how they've made your industry basically unviable in Alberta, and this follows suit. What alternatives do people have when they're turned down by institutions and they need short-term money in a hurry?

Ms. Melissa Soper: Consumers who need short-term credit, who have impaired credit or thin credit files, who have a difficult time getting short-term credit from banks or credit unions—there really aren't any other options for them. So they usually end up with more overdraft fees, or they end up paying default fees or reconnection fees.

Sometimes they even end up going online to illegal lenders. We have a lot of examples of this in other jurisdictions, where a high percentage of the transactions are done online by illegal lenders, where consumers end up paying more.

1610

Really, the demand doesn't go away; it just gets shifted to alternative, inferior options. In Georgia, when they pretty much banned the product, in the very next year, NSF fees by the banks went up \$38 million alone. The demand just gets shifted to worse alternatives.

Mr. Jim McDonell: I guess your example here of the bank NSF fees going up—it's another bad way of borrowing. It's an expensive way, if you're just going to let your bank account overdraw because you have no alternative.

Ms. Melissa Soper: Correct. Most of our customers are acutely aware of their finances. We find that 64% of our customers do not take the full amount that they qualify for. They come into our store with a specific need. They want to borrow the money just for that need and resolve their situation. They don't want an overdraft. They don't want a default fee. They don't want a reconnection fee. They want to handle their finances on their own, and this is the best alternative for them.

Mr. Jim McDonell: I suppose, in some ways, it actually allows you to maintain your credit score. If you're short of money in the very short term—to look at a reconnection, or it can be a credit card bill that has to be paid for tomorrow or you suffer the consequences—this can be a cheaper alternative, versus going through the credit issues, defaulting on your credit card, losing your credit card and the like.

Ms. Melissa Soper: That's correct. I mean, we've looked at the average utility bill—that could be \$300 or \$400. Between a default fee and a reconnection fee, that can be \$90. That's significantly more.

Mr. Jim McDonell: Yes. Any other examples of what you would see your customers coming in looking for money for? What are some of the reasons they're in there?

Ms. Melissa Soper: Certainly. Unfortunately, more than 50% of consumer households don't have any savings, so even the smallest unexpected expense every month can put their monthly household budget into the red.

Consumers are coming in because it was a higher utility bill than expected; it was a school trip or something for their children that they didn't expect and they don't want their children to be left without; it was repairing their car, because they need to get to work because they can't be short any hours on their paycheque, because their monthly budget depends on them working full-time hours—it's for all of those reasons.

Mr. Jim McDonell: I see people going in, in desperate need. We see everyday people having issues with their hydro and the number of times people are having them reconnect in the wintertime. This government hasn't given them an alternative; actually, they're reducing the alternatives with this legislation.

Ms. Melissa Soper: That's correct. Like I've said, I've been in the industry for 22 years and I've actually worked in probably more than eight countries. I have seen, in jurisdictions that have restricted the product, where consumers still have that short-term credit need and they'll go online and get it with an unlicensed lender.

Take Florida, for example, that has really tight restrictions and includes the reporting to a database: 84% of the online transactions in Florida are done by an unlicensed lender. Many of them, in fact, advertise non-database loans on the Internet. It becomes a very difficult situation, one where the consumers don't have any protections.

The Chair (Mr. Peter Tabuns): Mr. McDonell, I'm sorry, you've run out of your time.

We'll go to the third party. Mr. Singh.

Mr. Jagmeet Singh: Thank you very much for attending today. You provided the example of Alberta and changes that resulted in the industry no longer being able to exist. What would be the lowest threshold that you could operate under, in terms of an interest rate set?

Ms. Melissa Soper: It really depends on the market size. It depends on what the combination of restrictions are. That's why we have a Deloitte cost-of-borrowing study that talks about all of the different operational costs. It's hard to give you an answer without a number of other conditions in which to model. That's why I hope that, when you get to the regulatory process, you have a data-driven approach to determine that.

Mr. Jagmeet Singh: I guess that I've put you at a disadvantage where you're not able to provide the answer without—is there a way we can maintain the existing regulations as they are? Just on a strict interest rate level, what would be the lowest set possible that you think you could operate under?

Ms. Melissa Soper: Let me say this; it might put it in perspective for you: In 2015, our net operating profit was 10 percentage points below RBC, and about equivalent to Meridian Credit Union. And that was before the rate reduced from \$21 to \$18, which was a 14% reduction in our revenues. I understand some perspective is, because we charge a high cost for lending, we must be making high profits. That's actually not true. If you would look at our audited financial statements that we file and compare them to other industries, as I said, ours is comparable to Meridian Credit Union and 10 percentage points below RBC.

I understand that you want to try to achieve the lowest rate possible for consumers and have a balance of consumer protection as well, but there are costs to providing this type of service. That's exactly why credit unions and banks just don't provide the service.

Mr. Jagmeet Singh: Maybe I should just say what my assumption is and then you can correct me if I'm wrong. I would assume the costs are because the consumer cannot pay back a loan—but that's not the cost. That's not why the rate has to be so high. There are other costs?

Ms. Melissa Soper: That's not it at all. We talk about our costs in four categories. One is operating costs: our

storefronts, our labour, our call centres. Another one is our centralized cost, like compliance and technology, to deliver the product. Another one is our cost of capital. It might surprise you to hear that our cost of capital is in the double digits. It's much higher because of where we can get our money for this type of lending. And then the final cost is our provisions for loan losses, according to what our accountants require. So in all of those four areas of cost, that's what comes up with our total cost to deliver the product. It's not related to the losses on the product.

Mr. Jagmeet Singh: What is your highest area of cost, then, of those four that you listed?

Ms. Melissa Soper: Absolutely, operating costs: our storefronts, labour, benefits—everything to operate those stores. It's a high-touch business. The customers are coming in on evenings or weekends, around their work hours, and they need a quick service so that they can get back to work or get back to what they were doing. So it is absolutely a labour-intensive, high-touch business.

Mr. Jagmeet Singh: Thank you very much. No further questions.

Ms. Melissa Soper: You're welcome.

The Chair (Mr. Peter Tabuns): We go to the government. Mr. McMeekin?

Mr. Ted McMeekin: Thanks very much for coming out.

I have a little bit of history, albeit ancient history, in some sense. When I was Minister of Consumer Services, in the last iteration when we went around this stuff, you were then known as the Canadian Payday Loan Association. You offered some very helpful material to us and I always appreciated that, and I said so at the time, and I say so again—just for a historical perspective.

We're not out to ban payday lending. We're out to protect against predatory practices. I'm not suggesting that that's necessarily the case here, but if it were, that's what we're out to prevent.

I have three questions that I'd like to ask. First, the premise of the act is to protect consumers from financial harm. Does your organization support this objective?

Mr. Tony Irwin: Yes, we do.

Mr. Ted McMeekin: The bill also provides authority to specify factors a lender must consider before making a loan. How do the members of your organization determine whether someone can afford a payday loan, and do the members of your organization consider whether consumers with outstanding loans have outstanding loans with other payday lenders?

Ms. Melissa Soper: I'm happy to answer that, Tony.

There are a number of factors we do when we are reviewing customer applications. We absolutely verify their income and look at their source of employment. We look at their payment history and their borrowing history with us. We verify their identity. We may, at times, look at their FICO scores, although a lot of times we don't get a lot of information from that because our customers are kind of under the credit bureau's—there's not much information there. So there are a number of factors that

come in. A lot of lenders use proprietary scorecards to determine lending.

We're not in the business of lending out money that we don't anticipate getting back, because that would not be a viable business.

Mr. Ted McMeekin: It wouldn't be very smart.

Ms. Melissa Soper: Right. But it is challenging with our customer, because we have to use different data sources and look at different things in which to determine what their credit risk is and what their ability to repay is.

1620

Mr. Ted McMeekin: Okay. The bill treats instalment loans and payday loans differently. Are the consumers different and, if they are, do they need different forms of consumer protection?

Ms. Melissa Soper: The consumers of a short-term payday loan and a longer-term instalment loan are different. A longer-term instalment loan is going to be a higher credit quality, so we're lending a larger amount of money for a longer period of time, and that's typically going to be a less-risky borrower. But there are consumers who do like the single-pay payday loan because they have an issue. It's easy to budget. They know exactly when their repayment is due. It's a one-time repayment, and they want the product as well.

I think the consumer protections are the same, and we are in agreement with any consumer protection: clear disclosures, fee charts, any comparisons, any information to give the consumer, credit counselling assistance. I would say there are a lot of times, too, when our customers will phone us and they know their due date is coming up. Their pay date may have shifted by a day or something may have changed and they've asked us to hold it for a couple of days so that they can come in later, and we do that at no additional fees or charges as well.

We are agreeable with consumer protections around disclosures, transparency and fees. I think our customers like the product because it's very simple; it's very transparent; it's one fee; it's due on pay dates. It's very easy for them to budget for.

Mr. Ted McMeekin: I appreciate your clarity and appreciate you coming in. I understand that this is a fulsome and, for all of us at times, a somewhat difficult process, but change is going to happen and you've been able to roll with that in the past. I'm hopeful that you'll be able to do that again as we proceed. Thank you.

Mr. Tony Irwin: Thank you.

Ms. Melissa Soper: Thank you.

The Chair (Mr. Peter Tabuns): Thank you, Mr. McMeekin. Mr. Irwin, Ms. Soper, the time's up. Thank you very much for your presentation today.

QUICKCHECK CANADA

The Chair (Mr. Peter Tabuns): We go now to our next presenter, Quickcheck Canada, Roy Toker and Elisa Damiano. As you've both heard, you have up to five minutes to present and then we go between the three

parties to ask questions. If you'd introduce yourselves right at the beginning for Hansard.

Mr. Roy Toker: Thank you, Mr. Chair. I'm Roy Toker, executive vice-president of Quickcheck Canada, and I'm joined here by my colleague Elisa Damiano.

An item that is sometimes raised around the payday loan issue is something you may have heard referred to as the "real-time centralized database system." We are here today to advocate for inclusion of this in government's response to predatory lending and the payday loan industry.

Before that, however, I'd like to quickly introduce our company to you. I will be brief.

Quickcheck Canada is an Ontario-based information and communications technology company that has developed several software solutions for the payday loan industry since its inception in 2010. Our main product is a software platform that helps payday lenders automate their lending and collecting functions, as well as their accounting and reporting requirements.

Based off the platform software, Quickcheck began to develop a second product for the industry: a secure, state-of-the-art real-time centralized database system. This is a product we are particularly proud of. It is unique in its kind as it is 100% Canadian-owned and operated, fully compliant with Canadian privacy laws and tailored specifically to the Ontario market.

We like to think of ourselves as good corporate citizens. In Vaughan and in other communities throughout Ontario, Quickcheck has partnered with local politicians and groups like ACORN Canada to host financial literacy workshops whereby families can access the education they need to make informed choices before going to a payday lender. We facilitate these at our cost. Financial literacy is a preventive measure that we remain fully supportive of and actively engaged in.

On that note, should any of the MPPs around this table be interested in organizing one of these workshops in your communities, please do reach out.

Government continues to do the right thing by reviewing and updating the Payday Loans Act. We support the new measures presented in this bill. However, we argue that the real issue facing government and consumers is the current lack of enforcement measures around these regulations.

For instance, current laws prevent a payday loan operator from granting a concurrent loan to a consumer; that is, issuing a second or third loan at the same time on the same paycheck. However, it happens every day, and it's not always the lender's fault.

Ms. Elisa Damiano: The Ontario Payday Lending Panel Findings and Recommendations Report, published in 2014, concluded that "Lenders currently do not know whether customers have taken out a payday loan with another lender." There is no real mechanism whereby they could know.

This is why concurrent lending remains a big problem. Quoting Bankruptcy Ontario, "If someone owed money to payday loans, they didn't just owe one company, but

had an average of three outstanding payday loans with a total balance owing of \$2,500." The cycle of debt is allowed to continue, and more and more consumers remain exposed to this risk.

Mr. Roy Toker: One of the amendments to the act this bill proposes to make is with respect to an expanded, 10-day cooling-off period. This is a great recommendation that intends to benefit the consumer. However, I ask this committee today to consider how the government plans to enforce this. When this bill passes, what's to stop a lender from willfully ignoring this provision?

Ms. Elisa Damiano: There is precedent for the system we are advocating for. Currently, the United Kingdom, Australia and 14 US states have procured and deployed the database system to protect consumers. It may interest you to know that in 2015, the Supreme Court of Alabama ruled in favour of a state database to limit how much people can borrow at one time from short-term lenders. Media reported this notable development as a "victory for consumers."

The reasons for procuring a central database system are not limited to consumer protection. Having access to this information will help inform future government policy by making accessible key data and statistics. Understanding who is accessing these types of loans, in what geographical locations, and from what backgrounds, will help government address some of the systemic issues that force people into these types of loans in the first place.

It would also protect lenders who will see a reduction in their bad debt accounts. Lenders will finally be provided with assurance that their customers do not have an outstanding loan, and therefore will have additional security when lending.

It will create a more competitive landscape in the short-term lending industry, which would inherently benefit the consumer. With each lender now being forced to compete in a one-loan-per-customer market, payday loan outlets will begin to use traditional marketing tactics to attract them, including, potentially, lowering their rates.

Finally, the database has no financial cost to government to procure. Our cost model, and the cost model that other governments in other jurisdictions have taken advantage of, results in a net-zero public investment.

We think the real-time database system makes sense for Ontario. With approximately 800 payday loan outlets, a customer base that takes out approximately 400,000 of these types of loans per year, and the troubling rise in household debt for the average Ontarian, the time is now for a real-time database solution.

Thank you for your time today. We welcome any questions.

The Chair (Mr. Peter Tabuns): Thank you very much. We go first to the third party. Mr. Singh.

Mr. Jagmeet Singh: Thank you very much. It's great to see you. Thanks for being here.

I can see the argument of the competition that would arise from ensuring there is a climate of only one loan,

and how your system could benefit that or create that or encourage that. Have you considered what the actual economic impact would be, and what you envision in terms of reduction, in terms of the cost—if there is a sort of modelling that you’ve done with that?

Mr. Roy Toker: Unfortunately, we have not considered those real reductions. But we would assume so, based on logically thinking that one consumer could only have one loan at a time. Currently, lenders have no interest in reducing the rates because consumers do tend to be desperate, sometimes, and go to multiple payday lenders to get as many loans as they can. We would assume that that would not happen anymore, and the market would become more competitive.

Mr. Jagmeet Singh: Now, if there was not a database or a system like what you’re proposing, and the government did proceed with some regulation or protection around the idea of not having multiple loans, how could it be enforced? Or could it be enforced?

Mr. Roy Toker: The only way, I guess, it could be enforced is to send inspectors out to locations and look at the actual data in the files. But without a centralized database system, I think that would be impossible to do. With 800-plus locations, it would be very, very difficult. The nice thing about the database system is that it will track every single loan automatically, and it will prevent any lending that’s not in line with the regulations.

Mr. Jagmeet Singh: Now, if you could compare your model or what you’re proposing with, perhaps, a consumer-driven complaint-based model, where the consumer complains that they’ve been given multiple loans. How would that compare?

Mr. Roy Toker: I’m sorry—

Mr. Jagmeet Singh: Instead of having inspections—and you’re right: If you have a law without enforcement, you need some inspection. What if this was based on a system, for argument’s sake—if there was a regulation that was dependent on the consumers actually complaining?

Mr. Roy Toker: Sure.

Mr. Jagmeet Singh: Like many other consumer protections that are based on consumer complaints.

Mr. Roy Toker: I understand the question now, MPP Singh. I think that some consumers would make complaints. But I think overall, a system that tracks loans is much better than a complaint-driven system, because it will make sure that all regulators are taking place, as opposed to individual consumers making complaints. This will sort of cover everybody at the same time.

1630

Mr. Jagmeet Singh: Right. That makes sense. In terms of implementation, is there a time? How long would it take to have a database up and running that could satisfy the concerns?

Mr. Roy Toker: Our system is ready to go. Our software has an open API, so it can integrate with existing software that current payday lending operators can use. We also have a separate portal that they can log into to

use as well. So the turnaround time could be very, very quick—90 days.

Mr. Jagmeet Singh: Okay. Those are all of my questions. Thank you; that’s very helpful.

The Chair (Mr. Peter Tabuns): Thank you, Mr. Singh. We go to the government.

Mr. Dhillon.

Mr. Vic Dhillon: Thank you very much, Chair.

Thank you very much for appearing before the committee today. I have two questions. One is, can you explain the issue of rollover loans and your company’s opinion on how Bill 59 introduces tools to address this issue?

Mr. Roy Toker: Sure. I’ll define rollover loans and the way we look at them. Rollover loans are loans that somebody receives the same day that they’re paying back a current loan that they already had outstanding. So, in reality, they’re extending the original loan. They’re paying money and they’re borrowing it back immediately.

Our system would prevent that from happening by targeting the first loan and then making sure that the database complies with any cooling-off period, such as the 10-day cooling-off period that the government has put into legislation. It would prevent the lender from giving a loan to a person that is not eligible for one under the system rules.

Mr. Vic Dhillon: This bill strikes a balance between consumer protection and privacy. Given that payday loan companies operate outside the traditional financial framework and regulations, should payday loan companies have access to an individual’s loan history if it comes at the expense of their privacy?

Mr. Roy Toker: The way we’ve designed our system is to redact key pieces of personal information. Our system would really only allow the lender to know whether the consumer is eligible for a loan or not eligible for a loan. They will not see the prior loan history; they will not see any outstanding loans the consumer has with other lenders. It will only give them a “go ahead” or a “don’t lend” sort of indication.

Mr. Vic Dhillon: Okay. Just one more thing: We met before, and I was told that this company is a subsidiary of a bigger company, a debt settlement company. What assurance can you give that no information will be transferred for potential clients of your parent company?

Mr. Roy Toker: Absolutely. We are currently in the process of taking on our own individual audit through a number of firms to make sure that we’re in complete compliance, where all data is completely separate: different servers, different data centres, different employees, except for the executives. These companies are completely separate; they are not one and the same, and they’re incorporated differently.

Mr. Vic Dhillon: Okay, thank you.

The Chair (Mr. Peter Tabuns): Thank you, Mr. Dhillon. We go to the opposition.

Mr. McDonell.

Mr. Jim McDonell: Thank you for coming out today.

We see legislation that has a need for a company like you, but nothing in this bill actually allows for that. We see customers coming in not being allowed to renew with a certain company, but what are their alternatives?

Mr. Roy Toker: Outside of a database solution?

Mr. Jim McDonell: We just saw that if a customer is in need of money and goes payday to payday—it can be two weeks; it can be a month, depending on the number of times somebody is paid within a month's time. But we don't see any options. It's fair to say that the same company can't issue a loan, but what stops somebody from going down the street? You'll see, if you walk down Yonge Street, that there are probably 10 or 15 different locations.

Mr. Roy Toker: We believe in the payday loan product. We believe that if it's regulated properly and used responsibly by consumers, it could definitely help a lot of people. Even in our communication with ACORN Canada—that's a grassroots organization that represents low-income families. They like the payday loan product as well; they just want to see a little bit more regulation around it and a little bit more protection for consumers.

I believe the database is definitely the right step in doing that because we really don't have any accurate data as to what's happening in the payday loan industry. We can hear it from the lenders, but currently no data is being gathered. That's what this database system also intends to do: provide us information so we can better make policies in the future.

Mrs. Gila Martow: I have a question.

The Chair (Mr. Peter Tabuns): Ms. Martow.

Mrs. Gila Martow: Who would you suggest pays for the database? Have you thought that far?

Mr. Roy Toker: Our model is a net-zero model, so, as a matter of fact, we see it being a per-transaction charge, charged directly to the lender.

Mrs. Gila Martow: Okay.

The Chair (Mr. Peter Tabuns): Mr. McDonell.

Mr. Jim McDonell: What would be an example of a per-transaction fee?

Mr. Roy Toker: Say 50 cents to a dollar per transaction.

Mr. Jim McDonell: Okay. Of course, we've seen over the last little while in our office people coming in, especially people on fixed incomes, who have no alternative. They need money and they need it in a hurry. An example: their hydro gets shut down. We saw not too long ago where Hydro actually were going into people's accounts, over-withdrawing their money and not giving it back, and people were stuck.

It's great to go back to the consumer and tell them, "Look, you're allowed one loan and that's it," but I don't see anything that gives any alternatives. I don't see anything that gives the consumer any help. I don't see anything that changes the landscape, other than that you make somebody much more desperate because you've taken away the only legal way they have of receiving money.

Mr. Roy Toker: We feel that sometimes consumers will abuse the payday loan product and use it as a crutch and prevent themselves from making a final decision in respect to their finances.

MPP Dhillon had mentioned that we are affiliated with a debt settlement company, one of the largest private debt settlement companies in Canada. One thing we see is consumers coming into our office with multiple payday loans, now deciding that they need to do something about their debt, whether they're going through credit counselling, consumer proposals or bankruptcies. We feel that a lot of these consumers may have made that decision a lot sooner, maybe a year ago, if they didn't use the payday loans, or the rollover functions of the paydays currently, as a crutch.

There are other options outside of lending. If it's one loan you need to get over a sort of hump that you're experiencing in your life, that makes sense, but if you're using payday loans to completely survive, I think the consumer needs to make a decision to do something else.

Mr. Jim McDonell: Yes. And I think we all agree that multiple loans for people to survive are a real issue. It's a downward spiral.

But we see other consumers come through—in my previous life as the mayor of a township we had property taxes that would go years without being paid. When people would finally be forced with registration to settle the property, they would come in and pay for the one lump sum and then continue in the next month or the next quarter not paying again. It was like, "Well, it's an easy way of doing it." We'd try to talk to them to say, "Look, you're paying 15%, 16% interest here; you can go to the bank and get it for 2% or 3%," and it was still amazing, the number of people—it was their choice to make it that way.

The Chair (Mr. Peter Tabuns): Mr. McDonell, I'm sorry to say, you're out of time.

Thank you very much for your presentation today.

Mr. Roy Toker: Thank you, Mr. Chair.

ONTARIO ASSOCIATION OF CERTIFIED HOME INSPECTORS

The Chair (Mr. Peter Tabuns): Our next presenters, then, are the Ontario Association of Certified Home Inspectors. I have Patrick Auriol and Leonard Inkster.

Gentlemen, you will have up to five minutes to present and then we'll have five minutes of questions from each party. Our Clerk is there, he can take your presentations and, when you start, if you would identify yourselves for Hansard.

Mr. Len Inkster: Good afternoon. My name is Len Inkster. I am secretary and registrar of the Ontario Association of Certified Home Inspectors, OntarioACHI for short, and I'm here with my colleague Patrick Auriol, who is the certification director.

OntarioACHI was formed in 2012, and is a not-for-profit association of members representing home inspectors across Ontario. We'd like to thank the committee for

allowing us to speak to Bill 59, Putting Consumers First Act, and in particular schedule 1 of this act, the Home Inspection Act, 2016.

We have provided a brief presentation before you, giving you background on OntarioACHI and the home inspection profession in Ontario, but realizing that time is short, we want to concentrate our efforts here on addressing schedule 1 of the bill specifically, and its place with respect to consumer protection in the real estate marketplace.

First and always, we're 100% behind the government's approach to regulate the home inspection profession. We feel that this bill provides much of the groundwork to frame regulations that really protect consumers with respect to home purchasing. Some inspectors have concerns with clauses in the proposed bill but we see most as necessary to protect the credibility and enforcement of the regulations to drive the profession to necessarily higher standards unachievable without external regulation.

Self-regulation has failed because of the fractured nature of the profession and confusing routes to certification. Some certifications rely on association membership, compliance with a code of ethics and standard of practice, and strong, ongoing audited proof of competency; others rely on trust and are based upon self-certification.

1640

Some are based solely on being entered into an association register and then coerced to entertain association-funded education. The last type are those that are attained solely from "education mills."

It's important that, as part of the regulations, a concise message can be provided to consumers that clearly identifies who is competent to perform a home inspection.

I'd like to address first part I, section 2: non-application of the act. Some tasks performed as part of the home inspection may also be performed by an engineer or an architect. The extent of a home inspection, however, goes beyond the pure scientific investigation or opining of these professions for specific components. While we have great respect for civil and structural engineers and architects, their ability to opine on the condition of a home as a complete system, within the confines of their profession, is limited. The standards of practice and code of ethics that apply to a home inspector are of greater scope than would apply to a specific engineering or architectural engagement.

Exempting other professions from the regulations designed to regulate a home inspection waters down the consumer protection aspect of the bill. Doing so would require consumers to try to establish which regulator has jurisdictional control over the inspector—no different from the chaos that ensues today.

We ask that the committee strike the blanket exemption for engineers and architects and replace this exemption with an allowance for engineers and architects to be able to perform those tasks specific only to their professions that might coincide with the specific task defined as part of a home inspection.

Mr. Patrick Auriol: Bonjour. Good afternoon. Patrick Auriol, certification director for OntarioACHI. I'm going to address part IV, "Regulation of Licensees," section 51: requirement for a written contract and legal protection for a consumer. The requirement for a written contract for home inspection services is sensible. Unless the consumer has sufficient time to read and digest and, where required, seek legal counsel on the terms of such a contract, the benefits of a contract are negated by the duress the consumer is put under in signing it.

Realtors drive the timeline for real estate transactions. Unless this timeline issue is fixed, or circumnavigated, by regulations allowing sufficient time for a home inspection contract to be reviewed, this condition of duress will be impossible to change.

We see two solutions:

(1) Mandate the length of time between the offer and fulfillment of a conditional home inspection to allow for a contract review period. This would require changes to the regulations overseen by the Real Estate Council of Ontario, RECO; or

(2) Mandate a home inspection to be performed on behalf of the vendor or listing realtor prior to listing.

The concept of mandatory home inspections was visited some 15 years ago, in 2002, by the CMHC and rejected because it was felt that the number of home inspections would increase voluntarily. This has not proved to be the case. Indeed, recent developments have shown that the number of inspections are diminishing for many of the reasons explained in the presentation before you. The subsequent risk to consumers is increasing.

If the intent of the bill is to protect consumers, we ask the committee to urge the minister to consider mandating home inspections to protect consumers, in line with other consumer protection regulations.

Mr. Len Inkster: Again, part IV, "Regulation of Licensees," section 51, which deals with insurance: We believe it's best practice to inform the consumers of the existence or non-existence of insurance coverage in the contract for services—

The Chair (Mr. Peter Tabuns): Gentlemen, I'm sorry, you've run out of time.

We go to the government for the first round of questions. Ms. Vernile.

Ms. Daiene Vernile: Thank you, Chair. Gentlemen, thank you very much for coming to Queen's Park today and for sharing your views on Bill 59. We're proposing that home inspectors in Ontario be qualified and licensed, so we appreciate your insights and your comments on this.

Home inspectors are currently the only piece of the real estate transaction where you don't have to be licensed. Tell us: What do you have to do to be a home inspector these days? How easy or difficult is it?

Mr. Len Inkster: Just to be a home inspector, you don't need to do anything in Ontario. To be a professional home inspector is slightly different, and there is a large gap between those who are professional and those who are just home inspectors.

Ms. Daiene Vernile: So I could hang out a shingle and call myself a home inspector tomorrow.

Mr. Len Inkster: You certainly could.

Ms. Daiene Vernile: What are your thoughts on that?

Mr. Len Inkster: I think that's disgusting.

Ms. Daiene Vernile: You want to see it changed.

Mr. Len Inkster: Yes.

Ms. Daiene Vernile: Okay. Years ago, my husband and I, when selling a house, got a home inspection. We had a wonderful person do the job. He handed us this thick binder; it was very comprehensive. But I've compared that with what I've seen with other home inspectors, where it didn't look the same and it was much thinner. We're looking at having a mandatory, standard way of doing this. What are your thoughts on that?

Mr. Len Inkster: The inspection report that you're talking about is actually an engineering document from Carson Dunlop. It's known as the home reference manual. Most of that is actually undecipherable by the normal consumer.

A standard inspection report should be around 40 pages maximum. We believe that it should have narrative reports. There shouldn't be, as we call it, a "tick-guess" type of report. It should be fully explanatory to the consumer, so they understand exactly what has been inspected, how it has been inspected and what the findings were.

We don't believe that that particular binder, as it was given out, is current best practice, and I don't believe that Carson Dunlop, who actually created that book, believe that either.

Ms. Daiene Vernile: Okay. Were you going to speak to that too?

Mr. Patrick Auriol: No. I agree with my colleague. The only thing I would say for sure was lacking in the reports back then, in the Home Reference Book, is that there was no possibility to attach photos taken during the inspection in the report. Carson Dunlop has, in fact, addressed that now with their new software, so we're in full agreement.

Ms. Daiene Vernile: So that's going to be of benefit to the consumer and home inspectors?

Mr. Len Inkster: Yes.

Ms. Daiene Vernile: There has been some debate as to what we ought to be charging for this licensing. Some have said that it's reasonable to charge a few hundred dollars; others have said this is going to be a cash grab. What are your thoughts on that?

Mr. Len Inkster: The principle of charging for a licence really depends on the sustainability of that licensing mechanism. If the home inspection profession is actually driven out of business, then all of the effort that we're putting in to actually regulate the profession is for naught. We have to have some method of making sure that the regulation also protects the profession itself so they can protect consumers, and then derive from that the actual licensing fees.

I don't think there is a complaint amongst any of the inspectors about the price of the licensing—I mean, some

do—as long as it's justifiable to the consumer, to the inspector. We've got to remember that, at the end of the day, the consumer is going to pay for the licence.

Ms. Daiene Vernile: We appreciate your insights as we develop this bill. Thank you very much.

Mr. Len Inkster: You're welcome.

The Chair (Mr. Peter Tabuns): Thank you, Ms. Vernile.

We go to the opposition. Ms. Martow.

Mrs. Gila Martow: Thank you very much for your presentation. I have a couple of questions.

One is, how does insurance work? Is there an insurance program for a licensed home inspector, if they make an error?

Mr. Patrick Auriol: The certification, the CCHI, that we have in Ontario actually requires that a member has full liability insurance. We do not certify people or give them a designation without it. We believe it's not only protection for the consumer, but it's also protection for the workers themselves. Everybody can have a bad day. It's the same reason why a doctor has malpractice insurance. Something could go wrong.

So we are in full favour of it. We are in discussions constantly with the insurance companies. Sometimes the price is a little bit restrictive. People who do it part-time will have a little bit of concern carrying the price. But we firmly believe, after discussions with the major companies such as Hub and so on, that something can be worked out to protect the consumers and the people equally.

Mrs. Gila Martow: I would also want to know if there has been any program anywhere that you know of where the report and the pictures, if taken, can be used for the possible homeowner to get home insurance afterwards.

A lot of insurance companies, obviously, come and inspect the home. Maybe this could be tied in and you could get cheaper malpractice insurance, if you want to call it that. You could have sort of a program with the insurance companies that there's a reduced fee for home insurance because they don't have to send the inspector out.

Mr. Patrick Auriol: We have partially discussed this with the insurance companies—my colleague more than myself, so I'm going to let him field that one.

One thing I can tell you is that, due to the way the standards of practice are for most associations now and the general practice, and because of privacy and everything associated with it, we do not share the information with anybody else but the client. That includes the real estate agent. Some of us get a lot of pressure for it. Some of us are, dare I say, almost anal about it, as am I. I will not share the information with anybody unless I get written consent from my client.

This is something that is being discussed also for ease of use. In the end, we're trying to make it better for the consumers, and I think we can all appreciate how the real estate market is going right now, especially in Ontario—so a bit of a scare going on now.

Please go ahead.

Mr. Len Inkster: With respect to the insurance, I think a home inspection—a properly performed, professional home inspection—would be of immense value to an insurer or even a mortgage adviser/lender or even an appraiser. The issue, as my colleague here says, is the issue of privacy. Now if it was the insurer or the mortgage provider that actually employed the home inspector for the home inspection, that issue of privacy disappears because then the actual client is the insurer. We see that as a way forward because you're actually inspecting the property, hopefully before it's listed, but certainly with the viewpoint that you're actually inspecting it to make sure that it is an insurable property or a property that can be lent money on with a good rate of return.

1650

Mrs. Gila Martow: Thank you.

Mr. Len Inkster: You're welcome.

The Chair (Mr. Peter Tabuns): Yes, Mr. McDonell?

Mr. Jim McDonell: Thank you for coming out. You talk about your existing association. Is there any allowance for grandfathering of your members into the bill, or what were you looking at certification—

Mr. Len Inkster: I can talk about that in particular because I actually sat on the panel for the Ministry of Government and Consumer Services for the recommendations of the regulation for qualifications.

I believe that the intent was that each of the associations would present, to whatever DAA is created for this regulation process, the certification or registration process for each of its members. If that registration or certification process aligned with the requirements that were needed by the DAA, then there would be some form of transfer in. There would be a prior learning assessment for those who didn't meet that, and for those who didn't come anywhere close, there would be some form of education/examination to actually see that the qualifications were met. Does that answer your question?

Mr. Jim McDonell: Okay. You also talked about the contracts and the differences. Is there any interest in standardizing a contract, so that there's a minimum contract so a homeowner could actually trust that the contracts will meet his needs? You can always bury them somewhat, but you're concerned about the urgency sometimes in signing these—

The Chair (Mr. Peter Tabuns): Mr. McDonell, I'm sorry. You've run out of time.

We go to the third party. Mr. Singh.

Mr. Jagmeet Singh: Thank you very much. As it stands with your current organization, the current association, you don't have the powers of a registered body with legislation in terms of having the ability to limit people from using the title "home inspector"?

Mr. Len Inkster: We have the right to actually reserve the title, the Canadian-Certified Home Inspector, because that's the certification we award. There is nothing with any great teeth other than us threatening legal action for them to use it.

This has been the problem with the home inspection profession in general. There are seven, eight inspection

companies across Canada. Each of them has their own certification and each of them has their own certification standards. Obviously we believe ours is the greatest, as would every other home inspection association that sits before you say. But there's nothing at the present point in time to stop an inspector from hopping from one association to the other if they fall foul of the disciplinary rules, and that is why I believe we need a third-party, external delegated administrative authority to do the regulation of the profession.

Mr. Jagmeet Singh: Would you be satisfied with keeping the existing multiple organization system—or having one umbrella system? Do you think that the interests of the public could be served with keeping the multiple bodies that exist instead of having one unified body?

Mr. Patrick Auriol: No, we do not agree. We've had the legislation put in place since the mid-1990s regarding a specific association, and it's very clear for the reason we're here today that that has, for lack of a better word, failed miserably. There's a lot of infighting going on. The consumer is not being protected. The home inspectors are also not being protected. Some are taking on jobs or items during their inspections that they shouldn't be doing. There's a lot of items that need to be addressed, and we fully support them having this umbrella that's going to look over everybody. Whether associations remain to provide education, support, mentorship certification, testing and so on—that's certainly something that we would agree with as well. Certainly, none of the associations which are existing at this time have proven that they can handle taking care of this entire affair.

Mr. Jagmeet Singh: Okay.

Mr. Len Inkster: Just one thing to add to that is, it's a fact in any profession—and that's what we are. We're not a trade; we're a profession, a consultancy profession. Regulation actually sets the minimum bar, and it is the responsibility of the associations to actually raise that bar and that's really where I see the remit of the associations going forward after regulation. But the regulation really needs to have teeth provided by government-legislated DAA. We've pushed for that from day one.

Mr. Jagmeet Singh: Thank you very much.

Mr. Len Inkster: You're welcome.

The Chair (Mr. Peter Tabuns): Thank you, gentlemen.

ONTARIO REAL ESTATE ASSOCIATION

The Chair (Mr. Peter Tabuns): Our next presenters, then, are the Ontario Real Estate Association, Matthew Thornton and Adam Yahn. Gentlemen, as I'm sure you've heard, you have up to five minutes to present. Welcome back. Each party will have five minutes to ask questions of you. Please introduce yourselves for Hansard.

Mr. Matthew Thornton: Thank you, Mr. Chair. My name is Matthew Thornton. I'm director of government relations for the Ontario Real Estate Association. Joining

me today is Adam Yahn, our assistant director of government relations at OREA. I want to take a moment to thank the members of the committee for allowing OREA, on behalf of our 70,000 realtor-members, to voice our support for this important bill.

A home is one of the largest purchases that most of us will ever make. It is a source of financial security, of stability and a place where we raise our families. It's not just the largest purchase most of us will ever make, but the most important. For this reason, it is essential that homebuyers have confidence that they will be protected throughout the entire transaction by all professionals they work with.

According to Ipsos Reid, 75% of recent homebuyers stated that they made a home inspection a condition of their purchase. Bill 59 brings home inspectors in line with other regulated and licensed professionals who are helping families across Ontario pursue the Canadian dream of home ownership.

Ontario realtors fully support licensing and regulating the home inspection industry to ensure that consumers receive reliable information that can potentially alter a homebuyer's decision to purchase. In particular, we support the requirements to establish a complaints process and a disciplinary committee for complaints against home inspectors; moreover, we support the establishment of a code of ethics, minimum education requirements, mandatory insurance coverage and the standardization of a home inspection. These elements are common across all other regulated professionals working with homebuyers and sellers.

With the minister about to standardize home inspections through regulations, OREA would also like to recommend to this committee that a home energy audit be included in a standardized home inspection. This would replace the existing proposed home energy rating and disclosure program. A mandatory home energy audit scheme would better protect consumers and help the province achieve its climate change emission targets quicker.

Home energy auditors currently have no minimum educational standards, are not required to carry any errors and omissions insurance, and have no disciplinary oversight. Forcing consumers to use the services of an energy auditor is an irresponsible policy that will put consumers at risk and runs contrary to the direction that Bill 59 is taking for a very similar sector: home inspectors.

Putting that aside for the time being, there are three reasons why the government should look at including an energy audit in a standard home inspection.

First, including an audit in a standard home inspection will better protect consumers. Thanks to Bill 59, inspectors will be licensed and regulated, and consumers will have recourse in the event that they cross paths with an unscrupulous inspector.

Second, a home inspection is valuable precisely because it is put in the hands of a buyer. Putting the audit in the hands of the buyer increases the likelihood that energy audits will lead to retrofits and GHG reductions.

Lastly, including an energy audit as part of a voluntary standard home inspection will allow the province to use the \$250 million designated for the HER&D program towards enhancing retrofit rebates for homeowners—retrofits that will actually reduce emissions today.

In conclusion, Ontario realtors commend the government's efforts to license and regulate the home inspection industry. In addition to that important step, Ontario should avoid moving forward with a risky HER&D mandatory home energy audit program and instead include an energy audit inside a standard home inspection.

Thank you. Adam and I would be happy to take your questions.

The Chair (Mr. Peter Tabuns): Thanks for the presentation.

We go first to the opposition. Mr. McDonell?

Mr. Jim McDonell: Thank you for coming out. You talk about the relationship, the importance of the home inspection. Any comments on the arm's-length relationship between a home inspector and real estate companies?

Mr. Adam Yahn: Thank you very much for the question, Mr. McDonell. Ultimately, it's up to the homebuyer to choose who their home inspector is going to be. A realtor can make recommendations, but ultimately it's a decision for the homebuyer to make.

1700

Mr. Matthew Thornton: Yes. If I could just add to that, I would say that a common practice in the industry, Mr. McDonell, is for a realtor to present their client with a number of options when it comes to using a home inspector. Then it's up to the consumer to do some due diligence, interview a home inspector and find one that works best for them. Based on the feedback that we hear from our members, who are working with thousands of consumers every day, the relationship is a good one and functioning pretty well.

Mr. Jim McDonell: You mentioned the energy audit. The best indication of energy audits is actually the costs over the past year. You seem to be looking at more. I mean, part of your inspection would be defective windows or the like. Homes vary differently between historic homes and new homes or the like. It comes down to the cost of energy and whether the consumer is happy with that cost or can look at ways of improving it. If you could just elaborate on your ideas for the home energy audit.

Mr. Adam Yahn: Yes, for sure. The proposal that we've put forward is in response to a program that the government is proposing, which would mandate that an energy audit be completed at the time of listing. Our recommendation, as Matthew mentioned in the presentation, is to put that energy audit in the hands of the buyer. They're ultimately going to be the ones that will make the renovations and make the recommendations to improve the efficiency of the home.

You're right, and we absolutely agree, that energy bills are one of the best indicators, because the usage will differ between a family of four and a couple moving into the home.

But again, it's a better alternative to what's being proposed right now.

Mr. Matthew Thornton: If you were to consider housing stock in ridings like yours, Mr. McDonell, that is primarily older for the most part—a lot of older homes—this is a program that's really going to hurt those folks in those homes. It's really going to put those homes at a disadvantage when they come to market.

Our proposal sort of circumvents that issue by targeting the worst offenders. Most folks who are going to be buying an older home will want to get a home inspection done. But it allows for the flexibility that if circumstances dictate that you don't, or if the transaction needs to move quickly and you don't want to get an audit done, then you're going to have the flexibility to not do that and get the transaction done quicker.

The Chair (Mr. Peter Tabuns): Ms. Martow.

Mrs. Gila Martow: I just want to mention that the previous speakers had mentioned taking pictures in the home. How do you feel about that? Because you know they say a picture is a thousand words. But I just always feel that the only proof that somebody went up in the attic is if they show that they took a picture up there. Do you agree with taking pictures?

Mr. Matthew Thornton: I think the more information that you can provide a consumer when they're making a purchase as big as buying a home, the better.

Mrs. Gila Martow: Thank you.

The Chair (Mr. Peter Tabuns): Mr. McDonell.

Mr. Jim McDonell: You talked about the renovation programs they have. I'm just worried that if you tie the two together, you're going to start including lengthy time delays in decisions. It's one thing for an audit to be made. It's another thing for a homeowner to know whether they'll actually be able to qualify for the money that's sometimes held out there like carrots. We hear very many times from people coming in that the programs are there, but for one reason or another, they never qualify. Is that something you've taken into consideration?

Mr. Matthew Thornton: That's part of our recommendations. If you include an energy audit inside a standard home inspection, it would allow the government to repurpose \$250 million that is currently set aside under the climate change action plan. They could put that towards retrofits for homeowners.

The way previous programs have worked so well, Mr. McDonell, is that they've tied energy audits to those retrofit programs. An auditor would do an audit, they would create a list of recommended retrofits, and then the auditor would actually help you go through the process of applying for a rebate.

It's actually very fluid. The system worked incredibly well.

Mr. Jim McDonell: The only point is that it can help. I talked about the energy program they have. One customer was telling me that most people would give up on the application because it's so onerous to get. He said, "My wife was like a dog with a bone. She wouldn't leave

it go." They finally got the money. They qualified, but it took a year to finally get through the process.

On the other hand, you hear the government complaining that nobody's applying, but they make it so hard to get the money that it's essentially not there.

The Chair (Mr. Peter Tabuns): Mr. McDonell, I'm sorry to say that you're out of time.

We go to the third party. Mr. Singh.

Mr. Jagmeet Singh: Thank you for being here, and thank you for your presentation. So we've heard you recommend that the home energy audit be included in the standardized home inspection. In general, does OREA then take the position that a home energy audit is something that's a useful tool to the consumer in terms of purchasing, but also gives, I guess, more transparency for the person who's selling to know exactly where their home is at?

Mr. Matthew Thornton: Yes. Home energy audits are a great tool for informing anyone about the energy efficiency of a property. It's the design of the program that we have an issue with. Mandating it at time of listing is going to create a whole host of issues, in addition to the fact that auditors themselves are not regulated and not licensed. That's a big consumer protection risk, in our opinion.

Mr. Jagmeet Singh: If I understand you correctly, it should be something that the consumer takes the choice. If they're getting a home inspection, it's a part of it, but you don't want to require that someone who is selling their home has to provide that as a condition of selling it.

Mr. Matthew Thornton: That's the current program. The current program would say that a home seller, before they listed the property, before they advertise it for sale, has to get an energy audit done. We're saying remove that provision, stop that program, include an audit in a standard home inspection, but keep that inspection voluntary.

According to our research, three quarters of purchasers are making it a condition of the sale, so most folks are getting it done anyway. Despite the fact that all of the news coverage focuses on the GTA market, there are lots of real estate markets outside of Toronto, and most of those folks in those places are getting inspections done. Our suggestion is to keep it in a standard home inspection. You're going to cover most of the big, inefficient homes anyway, and it's just going to work a lot more efficiently.

Mr. Jagmeet Singh: Okay. Outside of the energy home audit and the licensing of home inspectors, any other concerns on behalf of OREA, or any other issues?

Mr. Matthew Thornton: No. We think it's a pretty solid bill. As I said, we support licensing for home inspectors, and we'd like to see it move forward.

Mr. Adam Yahn: OREA was one of the 35 partners that sat on the Ministry of Government and Consumer Services panel, so we're very happy to see that the bill has come forward and are very supportive of home inspector licensing and regulations.

Mr. Jagmeet Singh: Thank you very much. No further questions.

The Chair (Mr. Peter Tabuns): We go to the government now. Ms. Mangat.

Mrs. Amrit Mangat: Thank you, gentlemen, for your presentation. What I have understood from your presentation is that—do you believe that home inspections should remain with the buyer and not be made mandatory?

Mr. Matthew Thornton: Correct.

Mrs. Amrit Mangat: It shouldn't be made mandatory. Why is that the case? Can you explain it?

Mr. Matthew Thornton: Sure. I think, first and foremost, according to our research, three quarters of people are getting them done anyway. I think that's a pretty good indication of how much uptake there is in the market. I think you're going to see that number increase, by the way, once home inspectors are licensed and regulated. I think it's going to give consumers a lot more confidence knowing that that inspection that they're getting—not only is the inspector overseen by a level of government, but also the inspection itself is standardized. I think likely that number will increase over time.

In terms of making it mandatory, there's just a whole host of unintended consequences when you make any kind of inspection a mandatory part of a transaction. If you look at the GTA, in your riding, for example, Ms. Mangat, and how quickly a lot of transactions are moving, waiting two, three or four weeks and potentially longer if it's a mandatory part of a transaction could really hurt the market in the long run. Or in instances where a buyer has to sell quickly—let's say there's a divorce or maybe someone is moving for a job or, heaven forbid, a death in the family. Those are all reasons why people need to execute that transaction quickly, and a mandatory inspection at the front end of that is not really going to facilitate it.

Mr. Adam Yahn: Just to add: One point that has not been brought up in the discourse is that even in markets where they are hotter, especially in the GTA, there are pre-home inspections being done. It's not that a home inspection is not being completed. Oftentimes, the seller will give it to the prospective buyers. Inspections are being completed before and even after the process.

Mrs. Amrit Mangat: So are you supportive of Bill 59 in general? Your association is supportive of it?

Mr. Matthew Thornton: Yes.

Mr. Adam Yahn: Yes.

Mrs. Amrit Mangat: Okay. Thank you.

The Chair (Mr. Peter Tabuns): Ms. Vernile?

Ms. Daiene Vernile: We've got a bit of time?

The Chair (Mr. Peter Tabuns): Yes, you do.

Ms. Daiene Vernile: We've talked about, in this bill, having a standard inspection report. I talked earlier about how different inspectors will give you great big, thick binders, and other ones, it's very thin, and they charge different amounts of money. What are your thoughts on our having a standard report?

Mr. Matthew Thornton: Go ahead, Adam.

Mr. Adam Yahn: We absolutely agree with the standard report. That's where our recommendation to

include the energy audit also goes to. We think that if you're going to have a report that says "A, B, C, D and E," an energy audit should be included in there so that it's standardized across the province and everybody's going to have a similar base level that you're going to be comparing homes against. The buyer will know that, whether they're doing a home inspection on home A or home B, it will be the same report that is being conducted, and they can take that into consideration.

1710

Ms. Daiene Vernile: Okay. Thank you very much.

The Chair (Mr. Peter Tabuns): With that, gentlemen, thanks for the presentation.

Mr. Matthew Thornton: Thank you very much.

THE LUNG ASSOCIATION

The Chair (Mr. Peter Tabuns): Our next presentation is from the Lung Association, Tristan McIntosh. Mr. McIntosh, you have up to five minutes to present, and then we have five minutes of questions from each party. If you'd start off by introducing yourself for Hansard.

Mr. Tristan McIntosh: Good afternoon, Chair, Vice-Chair, Clerk and committee members. My name is Tristan McIntosh and I'm the air quality coordinator for the Lung Association of Ontario.

I'm very pleased to be here today to talk to you about a very important issue that relates to Bill 59: our lung health. It is great to see MPP Ted McMeekin, Ontario's true lung health champion and co-sponsor of Bill 71, the Lung Health Act. This act is still waiting to be passed, but its goals align with my presentation today: helping all Ontarians breathe. In fact, we also have yourself, Chair, and MPP Singh, our lung health caucus; and MPP Martow, who has spoken in favour of the original Lung Health Act, Bill 41. All of you are true lung health champions.

Before us, in the form of Bill 59, the Putting Consumers First Act, we have another chance to protect the lung health of Ontarians by regulating home inspectors and by creating an administrative authority. First, with respect to home inspectors: A home inspection, as we know, is a limited, non-invasive examination of the condition of a home. It is the first line of defence in being able to determine the quality of a home and, from our perspective, a critical opportunity to identify hazardous air quality risks such as radon, mould and asbestos.

According to Public Health Ontario, radon alone kills more than 847 Ontarians each year—over two people a day. Sadly, we have just heard of another person affected by radon. I'm sorry to report to you that Mark Nielsen from Newmarket had to bury both his dog and his wife just this past month because of radon-induced lung cancer.

Home inspections are typically conducted by a home inspector who has the training and certification required to perform such inspections. However, that is not always the case, and it is the reason we are here today. We would like to see a requirement set out for home inspect-

ors whereby a section of their report would focus on the air quality of a home. For example, this could be done through a radon test kit. A radon short-term test kit can be completed in a few days; however, a long-term test kit is more effective. In addition, we'd recommend a visual examination for asbestos and mould. These easy and cost-effective measures would allow a current or future homeowner to be more aware of any potential air quality risks that may require remediation efforts.

We would like to propose that amendments be made to include, under part IV, under "Regulation of Licensees"—amend subsection 52(1) and include a schedule D that states that a home inspector will be radon-certified, and to complete in the report a section about air quality pertaining to mould, radon, asbestos and any other lung-damaging air quality hazards.

Second, with respect to the creation of an administrative authority: According to Statistics Canada, we spend approximately eight hours a day on average at home just sleeping. This does not include the time we spend on household duties such as cooking or cleaning. We are overwhelmingly affected by indoor air quality. Therefore, we are proposing an amendment to part II, "Administration," under "Administrative Authority," "Board appointments," clause section 12(3)(a), "Composition," to ensure that someone with lung health and air quality expertise, such as a representative from the Lung Association, has a dedicated spot on the administrative authority.

This representative would work to achieve these three objectives: to help the board and the authority inform home inspectors about indoor air quality issues; to protect the lung health of homeowners; and to assist with lung health education.

We propose these measures with the sole purpose of better protecting the lung health of homeowners.

Currently, home inspector reports are often not used or even not requested due to the rising cost of residential property. Unfortunately, this is costing people their lung health, something we cannot put a price tag on. At the very least, people who do not receive a home inspection must be aware of the quality of their indoor air.

Thank you for your time. We are happy to accept any questions you may have.

The Chair (Mr. Peter Tabuns): Thank you for that presentation.

We go first to the third party. Mr. Singh.

Mr. Jagmeet Singh: Thank you very much. Beyond your presentation, and beyond what this bill has already suggested, are there any further changes you'd like to see to ensure that we see greater protection for lung health and some more proactive measures to ensure that we don't do what we continually see: that as a society we have conditions that create an illness or create some problem and then we have to put a great deal of resources into rectifying a problem that we created. Are there any other proactive measures you see?

Mr. Chris Yaccato: Chair, if I may, I should have introduced myself. I'm joining Tristan McIntosh. My

name is Chris Yaccato. I am the provincial government relations and public affairs manager for the Lung Association of Ontario.

Just on that, I think the bill actually captures some of that, and what Tristan was saying today could help change that future in people contracting lung disease from various household areas. But I think if you take something—and what we're proposing may not be perfect or the poison pill, so to speak, but I think what it does is help set up or at least advise government on steps you could take to help policy with lung disease and thereby help lower that lung disease burden in Ontario, because we've seen a dramatic rise in all areas of lung disease over the last couple of years. You know, 2.8 million Ontarians alone now have a lung health diagnosis of some sort. Presumably, when we start dealing with things at its source, being preventive as opposed to reactionary, we can help sustain that growth over time.

Mr. Jagmeet Singh: Beyond some of the obvious things we know—everyone knows about asbestos and other very obvious materials that can cause harm to lung health—we know also that there is certainly a concern with air quality in homes in general, even homes without any of these very obvious contaminants or obvious materials that are hazardous. What are some strategies to ensuring that we have better air quality in our homes in general? What are some guidelines that we can include?

Mr. Tristan McIntosh: Well, first people have to keep in mind that some of the hazards are around the homes and identify those. For example, just common household cleaners can always be a hazard if they're not stored properly, if they're cracked. Some carpets can contain a lot of biological hazards, and just also dust mites and dust in general can be a respiratory problem.

Do you have anything else to add?

Mr. Chris Yaccato: I mean, there is mould. There is pet dandruff. A homeowner goes in, and you didn't know that you have COPD, for example—chronic obstructive pulmonary disease—and you buy a house and move in and the homeowner had cats, for example. That can really exacerbate someone's lung health and cause an exasperation for that person with COPD. Or second-hand smoke, for example, is just extremely dangerous, and even third-hand smoke that's stuck to the walls and the floors of the home.

It really does impact when you move into a house, you're inheriting someone else's—I mean, we met with BILD, a group that you may be familiar with through the homeowners' associations. They went once because someone was having an extremely difficult time breathing, and they checked their furnace. The filter on the furnace was so caked on with dust and dirt that it just wasn't cleaning the air in the house. Even something like that, educating home inspectors who can then educate homeowners on how to properly maintain your house—a lot of people don't clean their air filters, and they just let their air conditioner and their heater run all the time. If you don't have a proper air filter, it's going to damage your lungs.

Mr. Jagmeet Singh: Okay. Thank you very much. I have no further questions. Thank you, Mr. Chair.

The Chair (Mr. Peter Tabuns): Thank you. We go to the government now. Mr. McMeekin.

Mr. Ted McMeekin: As a lung health champion, you'll not be surprised to hear that I agree with virtually everything you said. But I want to say more than that. I don't know of an organization, Mr. Chairman, that has been advocating for any particular social policy that has done so more effectively than the Lung Association. I just want to put that on the record. Also, I really, really appreciate the fact that you came here with some specific recommendations that I believe should be tagged on.

1720

Mr. Singh asked my first question and other things, so I won't ask that. But I will give you a chance to extrapolate a little bit on basements and renting out basements. What kinds of provisions might we include in legislation that would provide opportunities? Obviously, the consumer has got to be educated, too. If you've got a third-hand smoke problem, you'd better make sure that you tell the home inspector that, right?

What additional things might we include, if any? Or are we comprehensive enough now?

Mr. Chris Yaccato: I'll let Tristan answer. Great question; I'm glad you raised it. Basements particularly—I mean, I'm not going to source the stats, but when homes become so expensive, people tend to resort to either leasing out a basement apartment, or if you're not making a lot of money and you need to rent, you live in a basement apartment, be it a student or someone who's single. I had a home and I actually lived in the basement and rented out the upstairs.

Radon, mould, it all seeps into your basement and through the house. That's where it grows and that's where it lives. We're currently working with municipal affairs and housing on a different matter outside of this bill to regulate, through the Residential Tenancies Act, tests of ground contact units in multi-unit dwellings for radon. That's because it seeps through the ground—

Mr. Ted McMeekin: That's separate.

Mr. Chris Yaccato: That's separate from this bill, but those types of things—and working with home inspectors, for example, to educate homeowners on those dangers: “Where's your carbon monoxide detector? Okay, where's your radon test? Have you checked behind the drywall in the basement apartment?”

Mr. Ted McMeekin: Mr. Yaccato, I want to get this in before my time is up. Are there areas where radon gas is more dominant than in other areas, and do you have resources that can be made available to—

Mr. Chris Yaccato: Such as geographic, or do you mean areas within the basement, for example?

Mr. Ted McMeekin: Yes.

Mr. Chris Yaccato: Geographic: Well, CARST, who is up next, they have a map of radon in Ontario specifically. I'll leave this to the Clerk, but it shows very well that Guelph, Kitchener and London are all zone 1 high spots—

Mr. Tristan McIntosh: Elliot Lake.

Mr. Chris Yaccato: —Elliot Lake, Kingston, Ottawa region—

Mr. Tristan McIntosh: Sudbury.

Mr. Chris Yaccato: —Sudbury.

Mr. Ted McMeekin: Maybe that's something you can provide to the real estate association, too.

Mr. Chris Yaccato: Actually, we've talked with them. They have been great and we will hopefully be having an engagement on that with them.

Mr. Ted McMeekin: Go ahead.

The Chair (Mr. Peter Tabuns): Daiene?

Ms. Daiene Vernile: Do I have time to ask a really fast question?

The Chair (Mr. Peter Tabuns): Yes, you do.

Ms. Daiene Vernile: Forgive my ignorance. I was at the ladies' room and came back; you might have talked about this. I know what first-hand smoke is and second-hand smoke is. What is third-hand smoke?

Mr. Tristan McIntosh: Third-hand smoke is when someone smokes in the room or in the car, for instance, and they leave, and it could be a day or two—you know when you come in and you still smell that smoke in the fabric? It's when the residue and the smell are still lingering. You can still inhale that. It can still damage your lungs.

Ms. Daiene Vernile: Okay. Thank you.

Mr. Tristan McIntosh: I also wanted to add—I didn't mention it before—another common air quality problem in the home is volatile organic compounds, or VOCs. This often happens, for instance, if you buy a new carpet and it off-gasses. Some of those chemical compounds and smells can really damage your lungs, especially people who are more sensitive. As well, if some people have home offices, printers or fax machines, some of those machines give off VOCs.

That's just another common household issue I wanted to bring up.

Mr. Ted McMeekin: What's amazing, Mr. Chairman, is some of these groups are already working together.

The Chair (Mr. Peter Tabuns): So true.

Mr. Ted McMeekin: Thank you.

The Chair (Mr. Peter Tabuns): Thank you very much. We go to the opposition. Ms. Martow.

Mrs. Gila Martow: You said that a short radon test kit takes three days—is that what you said? I was wondering how long a long test takes.

Mr. Tristan McIntosh: The long-term test kit is recommended by Health Canada to be run for a minimum of three months during the winter period for the most accurate results.

Mrs. Gila Martow: Okay. Can people access information online, through your website or through CARST?

Mr. Tristan McIntosh: Yes, we have lots of information on our website. We provide materials and resources as well, as well as CARST, as we've seen with their map. They also deal with radon test kits, so if you need information, I can gladly provide it for you after.

Mr. Chris Yaccato: I will add, just on that short-term/long-term test, we actually worked with the Clerk to have this building tested for radon, and they did a short-term test. From there, they based it on if there were higher levels, they would do a longer-term test. I'm happy to report that the Legislature is low radon level, so you're okay in the basement. You're safe. You're all right.

Mrs. Gila Martow: I might have paid you to tell some people otherwise.

Laughter.

Mr. Chris Yaccato: Yes, fair enough. Fair enough.

Mrs. Gila Martow: I just wanted to mention that people are very focused on saving on energy costs obviously, especially these days, so they have better-quality windows and doors and weather stripping. The reality is that we do need a bit of fresh air. I wanted you to comment if you have suggestions for homeowners about opening a window a crack or things like that.

Mr. Tristan McIntosh: In terms of higher radon levels or just air quality in general?

Mrs. Gila Martow: No, just in terms of better air quality. Do you feel it's better for people to have some fresh air put in their home, or it doesn't really matter because the furnace is bringing in fresh air? Some people feel it's cleaner to let it run through the filters.

Mr. Tristan McIntosh: They would always have to first make sure that they change their filters regularly, as Chris mentioned earlier in the anecdotal story about the home-building association or whatever group that was—sorry. But I would say that fresh air is always the best. Sometimes opening a window, going for a walk—the ventilation is very important in a home.

Mrs. Gila Martow: Okay.

Mr. Chris Yaccato: Like you've commented on, homes are being built tight now. Whether it be varnish in your basement storage or paint, all those chemicals are building up in the house. It's great because you're saving on energy costs, but at the same time, you're also living in kind of a plastic bag. You're holding on tight, and nothing can get out and move.

Having home inspectors educated on those things can really help homeowners, because you can't—not like this place—open a window in the middle of winter to let in some cold air because it's so hot, because it costs so much money. But at the same time, we have to be cognizant of the fact that these chemicals and the air quality could be quite harmful.

Mrs. Gila Martow: My last question is, if people have radon in their house, what can they do?

Mr. Tristan McIntosh: Well, I would always say that everyone should get their home tested. A simple test kit is very inexpensive. If they do test and the levels are elevated, then we would recommend getting a radon-certified professional. You can go on the CARST website to look one of those people up.

They would come in and look for the best way to mitigate that radon, usually through a sub-slab depressurization system. That's when they install a motorized pipe

from the foundation and it juts out either from the exterior wall or the roof. With a mechanical fan, that will fan out or air out the radon to lower their levels in their home.

Mrs. Gila Martow: It's sort of like people have a sump pump, if they have water around their house. It's the same idea.

Mr. Chris Yaccato: Exactly. It sucks it up and spits it out.

Mrs. Gila Martow: Okay. Thank you very much for coming in.

Mr. Chris Yaccato: You're welcome. Thank you.

The Chair (Mr. Peter Tabuns): Mr. McDonell, you have a minute.

Mr. Jim McDonell: You talked about the testing for mould and asbestos. Is there any type of test you're looking at? Is there an approved testing procedure for that? Is it expensive?

Mr. Tristan McIntosh: There are some tests for mould and radon. You need someone who is a certified consultant to come in and test for those things.

For mould, I know they have spore traps and tape lift samples which you can send in to a lab. But you could also visually determine it. For that, I would also recommend someone who is trained and certified.

For asbestos, in some materials, you can visually assume that it's asbestos—for instance, transite pipe. Most people don't test that, because that damages the structure and that could cause a leak. But otherwise, I would always recommend a certified professional for testing those things.

Mr. Jim McDonell: Okay. So it doesn't test the quality—

The Chair (Mr. Peter Tabuns): And with that, the time is up. Gentlemen, thank you very much.

Mr. Tristan McIntosh: Thank you for having us.

The Chair (Mr. Peter Tabuns): Our next presenters, then, are CARP: Wanda Morris and Marissa Semkiw. Anyone here from CARP? Those are our next—

Mrs. Gila Martow: Who handed out the papers?

Interjection: CARST.

The Chair (Mr. Peter Tabuns): No, not CARST; CARP, the Canadian Association of Retired Persons.

Ms. Daiene Vernile: We're 10 minutes ahead of schedule.

The Chair (Mr. Peter Tabuns): We are 10 minutes ahead. My suggestion, colleagues, is that we adjourn for 10 minutes and resume at 5:40. Agreeable? Done.

The committee recessed from 1730 to 1740.

CARP

The Chair (Mr. Peter Tabuns): Members, we're back in session.

Ms. Morris, you have up to five minutes to present, and then there will be up to five minutes from each party. If you'd introduce yourself for Hansard and then proceed.

Ms. Wanda Morris: Thank you. My name is Wanda Morris and I am the vice-president, advocacy, and COO

of CARP. We are an organization that advocates for improved health care and financial security for Canadians as we age. We count 300,000 members across the country, with the largest proportion being here in Ontario.

I am here today to speak to two aspects of the bill. First off, CARP is very pleased that the government is taking seriously the issue of door-to-door sales for individuals. Many of our members have shared with us anecdotally stories of having been essentially scammed by door-to-door salespeople. We are on record as having supported the previous private member's bill. Our concern is that this bill doesn't go far enough.

A couple of things: There are certain named items that will likely be covered by the bill. CARP would like to see a general dollar limit, because if you regulate four, six or eight items, chances are someone intent on a scam can find a 10th, 11th or 12th item. So we would just like to say that perhaps anything with a cost of over \$1,000 should be regulated.

CARP is supportive of the idea of the 10-day cooling-off period, but what we have heard in the past are situations where something is sold and, for example, the next day somebody arrives with the hot water heater or the air conditioner, and then when they ask to have that deal overturned, the supplier comes and takes away the hot water heater or the air conditioner but the individual can't have their other one back, so that's really a remedy that doesn't help them. CARP is looking for some more punitive damages to really deter this type of practice.

The other thing I want to talk to you about today is the second-biggest expense that most people will face over their lifetime, and that is the amount of fees that they will pay on their investments. There is a report done by a group called Morningstar Inc. that rated the mutual fund fees Canadians pay, and out of 25 countries rated, Canada came in 25th. A typical family can pay hundreds of thousands of dollars in mutual fund fees, losing out on those fees in their investments, but also the compounding benefit of what they would have earned if those fees had instead been kept in their investment portfolio.

This is something that CARP is very concerned about, given that many of our members have a limited pool of assets that they have to finance their retirement out of, and they are often ones who get steered into a higher-than-average cost. A typical mutual fund charges a cost of 2.35%.

CARP is here today to also ask for two things. The reason the fees in Canada are so egregious is, we believe, there is no best interest standard. There is nothing that requires a salesperson to sell a low-cost product when there is a higher-cost product that meets roughly the same needs. For example, a retiree with a modest portfolio who should be in a mix of fixed income, paying dividends and some GICs could be in either an indexed fund or in a much more expensive mutual fund. There is nothing that compels any financial adviser to put the needs of their client ahead of their own financial compensation. This is egregious. In the US, there is such a standard, and I think

it's one of the reasons why mutual fund rates in the US are approximately half of what they are in Canada.

I know this isn't directly in the bill, but I would really strongly encourage the committee to add a best interest standard to remove compensation-related conflicts of interest so that investors can no longer be steered to high-cost investments when lower-cost ones will serve their needs.

Secondly, the other issue that's related to this—and again, I think, a root cause of why our investment fees in Canada are so high—is that the agencies that are charged with protecting us against ill behaviour, fraudulent behaviour by advisers, don't have—

The Chair (Mr. Peter Tabuns): I'm afraid you're out of time.

Ms. Wanda Morris: Can I just have 30 seconds? The agencies that are meant to protect us from these fraudulent activities do not have fine collection abilities. For example, in Ontario, we have \$20 million in outstanding fines that IIROC doesn't have the ability to collect.

I'll stop there.

The Chair (Mr. Peter Tabuns): Ms. Morris, I'll turn it over to the government. They may ask you to go further.

Mr. Baker.

Mr. Yvan Baker: Wanda, first of all, thank you very much for coming in. Is there anything you wanted to add that you haven't yet said about that topic?

Ms. Wanda Morris: Thank you so much.

Mr. Yvan Baker: I have five minutes, is that right?

The Chair (Mr. Peter Tabuns): You do, indeed.

Mr. Yvan Baker: You can use up some of that time if you would like. I do want to ask you a question about door-to-door, so I hope you'll leave me a little bit.

Ms. Wanda Morris: Thank you very much. Two things that I think are really driving these incredibly high costs of mutual fund fees in Canada: One is the best interest standard; the other is that we have these agencies that oversee things like suitability and how the advisers act towards their clients, but they can breach those pretty much with impunity because the fines that are levied by groups such as IIROC, the regulatory association—there's nothing compelling the advisers to pay them. They can simply give up their licences and walk away.

Today, for example, I'm aware of an 89-year-old who lost \$400,000 in their savings. The adviser was fined \$100,000 and probably will not pay a nickel of it and will suffer no adverse consequences. So we really need to have legislation that empowers the regulatory agencies such as IIROC to collect the funds. Quebec has this type of legislation. Alberta has it. Why is Ontario not standing up for its investors?

Mr. Yvan Baker: Thank you. Chair, how much time do I have left?

The Chair (Mr. Peter Tabuns): You have about three and a half minutes.

Mr. Yvan Baker: I want to thank you very much for coming in. Before I start with my questions, I just wanted to thank you and Marissa, as well, for being here and for

all of your advocacy, not just on the issue of door-to-door sales and the other issue you raised today, but in general. I think you do fantastic work in Toronto and across the country, representing seniors. My community in Etobicoke Centre has one of the highest percentages of seniors in the country, and so seniors' issues are top of mind. I hear a lot about them. Our Etobicoke CARP chapter is very, very active as well. I just wanted to say thank you for all your work.

I also want to thank you for your advocacy and support of the private member's bill that I brought forward that you mentioned earlier. As soon as I reached out to you, CARP took an interest. You ran a survey about the bill and you took it on with gusto, so thank you very much for your advocacy. You've really helped us move this issue forward.

Ms. Wanda Morris: Thank you. If I could just maybe share in relation to that, I think one of the interesting things about the survey was there was a bit of concern about, would we be patronizing seniors or paternalizing if we put these sorts of protections in, and the overwhelming response from our members is "Bring it on; bring on the protections."

Mr. Yvan Baker: I'm really glad to hear that. I'm just going to go back to the door-to-door issue if I may. Can you just talk a little bit about whether the government bill, Bill 59, does enough to address the issue of door-to-door marketing, or does more have to be done?

Ms. Wanda Morris: As I mentioned, I was a real fan of the original version. I appreciate that we also want to support small businesses in our community that may operate on a door-to-door basis, but I think first and foremost we have to protect the individual investor, individual consumers. When we look at the track record and some of the egregious stories of what's happened, I would certainly be all for strengthening the bill.

Mr. Yvan Baker: Okay. Thank you very much. You talked about a few items. Is there anything else in terms of strengthening the bill that you wanted to talk about, or is it just those items that you referred to earlier? If it is, that's fine. I just want to make sure.

Ms. Wanda Morris: Those are the two that are top of mind, and perhaps I could take the time to submit some additional comments in writing.

Mr. Yvan Baker: Sure, absolutely. Thank you very much. How much time, Chair?

The Chair (Mr. Peter Tabuns): You've got about a minute.

Mr. Yvan Baker: About a minute. Could you just talk about how this impacts seniors, how door-to-door salespeople who are using some of these misleading and aggressive practices impact seniors? What have you heard from your members?

Ms. Wanda Morris: When we reached out, we heard numbers of stories about people and, sadly, social isolation is a problem. Seniors are often open to door-to-door salespeople, perhaps more than is prudent, because they're thinking that they're meeting a friend or somebody who wants to talk with them. Unfortunately, some

of the scams that are perpetrated are really horrifying: people paying not just 50% more or 75% more, but double or 10 times what something costs, and not having the recourse to get out of it, not necessarily understanding that they are being charged usurious costs for particular products—

The Chair (Mr. Peter Tabuns): With that, I'm sorry to say you're out of time.

We go to the official opposition. Mr. McDonell.

1750

Mr. Jim McDonell: Thank you for coming in. It's interesting to see some of the unique issues, especially around seniors. Everybody's heard of those for sure.

Some concern you expressed over just, I guess, a couple of things being proposed by the legislation—control through door-to-door sales. It's almost like a whack-a-mole: Something comes up, and the government may or may not regulate it or take further steps, but there's no formula, it seems, for what they will protect or won't protect.

Ms. Wanda Morris: Right, which is why CARP is advocating that we choose a particular dollar value and just regulate everything that falls over that dollar value. For example, roofing wasn't one of the items that was listed, but we have heard of scams in the past where people ended up paying far too much for the cost of roofing.

Mr. Jim McDonell: As an example, for some of your furnace companies or air conditioners or water heaters, when you look at some of the costs per year versus the ownership to get it installed yourself, many times it's more expensive, but it's something not banned in this program. We see legislation, certainly, when it comes to some of the larger companies that have a record now of maintaining renting equipment. Basically, they can come back and re-rent and re-rent, and some of these costs are fairly high.

Ms. Wanda Morris: Absolutely. The level of financial sophistication that's necessary to assess—is this a good deal for me to buy or rent? One of the sad things about seniors is actually that as we get older, we tend to get more confident in our decisions at the same as we get less competent in making them. So both of those things are unfortunate. As a CPA myself, I've done many lease-versus-buy calculations, but I think it's not fair to put that on seniors. Often, words like "trouble-free" and "no risk" sound like this must be a really good idea when, in fact, they could be signing on to a rental contract that will have them paying for something many, many times over.

Mr. Jim McDonell: Well, we see that with the payday loans, as an example. They're very serious about taking steps in that, whereas you can sign on to a 10-year contract for a furnace and pay many times what you should be paying. There are no controls over that, and nothing, really, seen in this legislation would stop that from the encumbrance.

Ms. Wanda Morris: CARP would certainly be very supportive of something that valued not just an outright purchase but a commitment of rental payments over time.

Mr. Jim McDonell: Can you give us some examples of some of the issues you've seen through your advocacy in the industry?

Ms. Wanda Morris: In terms of door-to-door sales particularly?

Mr. Jim McDonell: Yes.

Ms. Wanda Morris: We've heard a number of them. Gosh, I think of one fellow who called. He had been sold a furnace. Then his children had come over and said, "Oh, Dad, that's way too much," but the company had already come, taken his furnace out and brought the new one. So they said, "Sure, we'll come and take our furnace out," but then he was left without his old one.

One of the really scandalous tricks is for people to offer a free inspection or free service and then to purport to see a flaw that's not actually there and sell somebody a completely unneeded product at a grossly inflated cost. Those are the types of things that really make us push for punitive damages in addition to just restoring the individual to their previous state.

Mr. Jim McDonell: You had also talked about the mutual funds side of the story. Maybe elaborate? Here were, essentially, the worst of the study areas, but we don't see anything in this bill that actually looks after that.

Ms. Wanda Morris: Yes, and CARP would love to see this introduced. A study that was done last year showed that the single biggest purchase most people make after their homes is that of the amount that they pay their investment advisers. Now, some of that may be very well warranted for financial advice, but a typical family that has an average savings of \$200,000 paying another \$200,000 in fees is horrendous.

That rating that Morningstar did of 25 countries rated Canada 25th. We were in sole possession of the D-rating, just below China and Japan; whereas Australia, the US and the Netherlands had A ratings. I think there's a tremendous—

The Chair (Mr. Peter Tabuns): And with that, I'm sorry to say, you're out of time with this party.

We go to the third party. Mr. Singh.

Mr. Jagmeet Singh: Thank you so much for being here and thank you for your advocacy. I recently had a meeting with some representatives of your organization from the Brampton area, and they were quite impressive.

Ms. Wanda Morris: Awesome.

Mr. Jagmeet Singh: In terms of the door-to-door, we've talked a lot about it. You talked about a broader principle so that we can capture more of the door-to-door issues.

I've got to acknowledge Mr. Baker for his tremendous work in that field.

What are some broader principles? We've been mulling around some ideas. One of the ideas is, a high-pressure environment to get into long contracts which are high-interest—some of these criteria, and things related to services, like home energy services, HVAC-related things—I've been struggling with a broader principle than that, and you've talked a bit about it today. Is there a

way to encapsulate it with something even broader that would capture all the egregious things? We're not stopping door-to-door sales of cookies or something. That's not the concern. It's when you get locked into a high-interest type of agreement. Maybe that is the principle. But what do you think?

Ms. Wanda Morris: I wonder if the question is, in this day and age, is it really in anybody's best interests to buy something from a door-to-door? I will think about this and submit something in writing. But perhaps something to consider is just barring door-to-door sales over a certain amount.

Mr. Jagmeet Singh: Again, coming back to the idea of a certain monetary value—if it's over that amount, then it shouldn't be done at the door.

Ms. Wanda Morris: I haven't thought about that, so before that goes firmly on the record, I'd like to take that back and discuss it.

Mr. Jagmeet Singh: That's fair.

Ms. Wanda Morris: We hear so many egregious examples of frauds and scandals, and not anybody saying, "Gee, that was a real lifesaver that someone just happened to come to the door the day that my furnace broke down." With all the ways of sales that there are out there, is this something that we want to support?

Mr. Jagmeet Singh: Okay. Thank you very much for that.

Something that's come up, and I'm not sure—maybe you can provide the CARP perspective—I know you can. I don't know if there is a CARP perspective yet, so I don't want to hold you to it unless you're comfortable. With respect to payday loans, it's an issue that we know impacts lower socio-economic people. I would assume that sometimes that's going to impact seniors who are on fixed incomes. Any sort of comment with respect to—there are going to be some amendments that will be coming forward. Something I would like to see, and I've been advocating for, is reducing the interest rate, which I think is far too high. Do you have any areas of concern, in respect to CARP, with respect to payday loans?

Ms. Wanda Morris: Two things that are helpful for the committee to know are that the fastest-growing users of food banks are seniors, and a growing number of seniors are homeless. There are a number of factors that contribute to that. Certainly, anybody in a desperate situation, reaching out for a payday loan, is likely to have their situation exacerbated rather than mitigated.

The usurious levels of interest—I would really strongly support this committee putting caps on those—perhaps 5% above the prime rate or something like that, that floated, but that prevented these companies from capturing these customers. Because of the very high rates of interest, they generally get repeat customers who dig themselves into bigger and bigger holes. I wonder if there's any societal good that could come out of that.

Mr. Jagmeet Singh: Do you have evidence, or do you have some sort of notion, of how prevalent this is among seniors? Is it something that seniors are using, or do you know?

Ms. Wanda Morris: I have no information about the number of seniors who are using payday loans.

Mr. Jagmeet Singh: Okay, that's fair. In respect to the home-ownership issues, the home inspections, seniors sometimes are in positions where they have to sell their homes when they're in valuable areas like the GTA, and then relocate to other areas where it's more affordable to buy a home. Does CARP have a position with respect to any of the mandatory home inspection changes to the laws, or the energy audit, or any of those areas?

Ms. Wanda Morris: I could perhaps submit something in writing. I don't have anything to share at this point.

Mr. Jagmeet Singh: No problem. That's good. Those are all my questions. I appreciate your being here. Thank you so much.

Ms. Wanda Morris: Okay, thank you.

The Chair (Mr. Peter Tabuns): Thank you, Ms. Morris.

Members of the committee, we've come to the end of the day. I just want to remind you that written submissions on Bill 59 have to be provided to the Clerk by 6 p.m. on Tuesday, February 28, 2017.

I adjourn the committee until Monday, February 27, at 2 p.m.

The committee adjourned at 1800.

1. The first part of the document is a letter from the President of the United States to the Congress, dated January 3, 1863. It is a very important document, as it contains the President's message to Congress regarding the state of the Union and the progress of the war.

2. The second part of the document is a report from the Secretary of War, dated January 10, 1863. It contains a detailed account of the military operations of the Army during the year 1862, and a statement of the condition of the Army at the beginning and end of the year.

3. The third part of the document is a report from the Secretary of the Navy, dated January 10, 1863. It contains a detailed account of the operations of the Navy during the year 1862, and a statement of the condition of the Navy at the beginning and end of the year.

4. The fourth part of the document is a report from the Secretary of the Interior, dated January 10, 1863. It contains a detailed account of the operations of the Department of the Interior during the year 1862, and a statement of the condition of the Department at the beginning and end of the year.

5. The fifth part of the document is a report from the Secretary of the Treasury, dated January 10, 1863. It contains a detailed account of the operations of the Department of the Treasury during the year 1862, and a statement of the condition of the Department at the beginning and end of the year.

6. The sixth part of the document is a report from the Secretary of the War, dated January 10, 1863. It contains a detailed account of the operations of the Department of the War during the year 1862, and a statement of the condition of the Department at the beginning and end of the year.

7. The seventh part of the document is a report from the Secretary of the Navy, dated January 10, 1863. It contains a detailed account of the operations of the Department of the Navy during the year 1862, and a statement of the condition of the Department at the beginning and end of the year.

8. The eighth part of the document is a report from the Secretary of the Interior, dated January 10, 1863. It contains a detailed account of the operations of the Department of the Interior during the year 1862, and a statement of the condition of the Department at the beginning and end of the year.

9. The ninth part of the document is a report from the Secretary of the Treasury, dated January 10, 1863. It contains a detailed account of the operations of the Department of the Treasury during the year 1862, and a statement of the condition of the Department at the beginning and end of the year.

10. The tenth part of the document is a report from the Secretary of the War, dated January 10, 1863. It contains a detailed account of the operations of the Department of the War during the year 1862, and a statement of the condition of the Department at the beginning and end of the year.

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